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SRAM, LLC v Huan Schen Sdn Bhd

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COURT OF APPEAL (PUTRAJAYA) — CIVIL APPEAL NO W-02(IPCV) (A)-1080–06 OF 2016
ABANG ISKANDAR, BADARIAH SAHAMID AND MARY LIM JJCA
19 JUNE 2019

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Trade Marks — Application to expunge from register — Registered mark — Whether High Court erred in holding plaintiff was first user of mark in Malaysia and thereby common law proprietor of the mark — Whether court unduly restricted term 'use' to use in Malaysia only — Whether court failed to appreciate defendant gained global reputation and goodwill in use of trademark earlier than plaintiff and that defendant's use of mark had been publicised in Malaysia via mass media even before plaintiff's mark was registered — Whether non-territorial use of well-known foreign trademarks was recognised under s 14(2) of the Trade Marks Act 1976 as capable of barring new registration of similar mark even though foreign mark had never been used or registered in Malaysia — Whether defendant's mark was personalised trade name whereas plaintiff could not explain how it chose identical trademark — Whether plaintiff possibly tried to benefit from worldwide reputation enjoyed by defendant's trademark by using same name — Whether plaintiff failed to show it used trademark on its goods in Malaysia at the time defendant's trademark was registered — Whether plaintiff thereby failed to show likelihood of confusion and deception arising from registration of defendant's mark — Whether plaintiff's cessation of use of trademark for more than seven years after registration of defendant's mark barred it from applying to expunge defendant's marks — Whether plaintiff's application was not bona fide

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The instant appeal was against the decision of the High Court allowing the respondent's application under s 45(1)(a) of the Trade Marks Act 1976 ('the TMA') to expunge from the register four 'SRAM' trademarks ('the four impugned marks') of the appellant for goods in Class 12 (bicycles, bicycle parts and accessories). The 'SRAM' mark was created by the appellant in the United States of America in 1987 from the acronym of its three founder members, Scott, Ray and Sam. The appellant made bicycles, bicycle parts and accessories under various brand-names bearing the word 'SRAM' and its goods bearing those marks had been featured in various international events, including the Olympic Games of 1988, 1996 and 2000 which had been telecast to all parts of the world, including Malaysia. The respondent, which was incorporated in 1995, and in the business of distributing and selling bicycles, bicycle parts and accessories, applied to register its trademark containing the word 'SRAM' for goods in Class 12 in December 2003 after showing proof that it had used that

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mark in its business a year earlier. Despite objection from the appellant that the respondent's trademark was deceptively similar to the appellant's and was likely to confuse the public, the registrar allowed the registration. Thereafter, between the years 2005 and 2009, the registrar allowed the four impugned marks to be registered without objection from the respondent. In December 2015, the respondent applied under s 45(1)(a) of the TMA for a declaration and order that the four impugned marks be expunged from the Register because the registrations were made without sufficient cause or wrongfully made. The High Court allowed the application. Inter alia, the court held that: (a) the respondent was not estopped from filing the application just because it failed to oppose the registration of the four impugned marks; (b) the respondent had not abandoned its trade mark but had retained residual goodwill and reputation in the mark in relation to its goods; (c) the respondent was the first user of its trademark in Malaysia and was therefore the common law proprietor of the 'SRAM' trademark for goods in Class 12; (d) the fact that the four impugned marks had been used in relation to the appellant's goods extensively in countries outside Malaysia was irrelevant; and (e) the appellant's use of the four impugned marks in relation to its goods was likely to deceive or confuse the public because of its striking similarity to the respondent's trademark.

Held, unanimously allowing the appeal and setting aside the High Court's decision:

(1) The High Court erred in holding that the respondent was the first user and common law proprietor of the trademark and that it had satisfied the requirements laid down in the relevant sections of the TMA to justify expunging the four impugned marks from the register (see para 38).

(2) It was undisputed that the 'SRAM' mark was created by the appellant in the United States in 1987 from the acronym of its three founder members. It was therefore a personalised trade name and not a common generic term which could belong to anyone and to which no person could claim to have a proprietary right over. Evidence was adduced that the trademark 'SRAM' had been featured in international sports events and had attained worldwide reputation. Those events, including the Olympic Games of 1988, 1996 and 2000, had been telecast globally and received even in Malaysia. The respondent, on the other hand, had no explanation for its choice of the identical trademark 'SRAM' which they claimed they began to use in Malaysia in 1993. It would not be an unreasonable view that the respondent had attempted to obtain the benefit of the appellant's worldwide reputation (see paras 39 & 42).

(3) The High Court had placed undue importance to the word 'use' to mean domestic use, ie, in Malaysia only, and erred in finding that the extensive use of the appellant's trademark outside Malaysia was an irrelevant factor for consideration. This restrictive interpretation of 'use' as restricted to

domestic territory was not supported by authorities. Courts have recognised that reputation or goodwill could be acquired outside Malaysia. The High Court judge erred in not giving due weight to the widely-used marks of the appellant in international sports events as well as the fact that such events which featured the appellant's trademarks were broadcasted in Malaysia and thus would have been publicised to the Malaysian public (see paras 43–45).

(4) The High Court judge erred in finding that the relevant usage of a trademark was territorial, in that a trade mark must have been used locally, ie, in Malaysia, and thus any evidence of the trademark's origin or use internationally by the appellant was not a relevant consideration. The addition of s 14(2) to the TMA in August 2001 recognised the concept of well-known trademarks which were non-territorial in nature. The concept of 'user' was no longer restricted territorially, and the proprietor of a well-known mark need not carry on business or possess any goodwill within the local territory. As was held by the Federal Court in *Yong Teng Hing v Walton International* [2012] 6 MLJ 209, under s 14(2), a foreign trademark which was well-known in Malaysia could be 'the basis for refusal of the registration of a similar mark by a different proprietor, notwithstanding that the foreign mark had not been used at all or registered in Malaysia' (see paras 46–48).

(5) The respondent had to satisfy the requirements of ss 14, 36–37 and 45 of the TMA to be entitled to apply to expunge the appellant's trademarks. The High Court judge failed to give sufficient weight to those sections which gave a measure of protection to registered trademarks. In particular, s 37 afforded protection to trademarks which had been registered for more than seven years. Two of the four impugned marks had been registered for at least seven years. The respondent's application to expunge the marks that had been registered for more than seven years raised the issue of the bona fides of the application and presumed that the appellant's trademarks were valid under the TMA (see paras 49 & 53–54).

(6) To support its s 45 application for expungement, the respondent had to show evidence of use of its trademark from 2007–2016 to prove that there was confusion and deception under s 14 of the TMA. The material date required by both ss 14 and 45 of the TMA was the date of registration of the appellant's trademarks, ie, from 2005–2009. There was no evidence of the respondent's goods in the Malaysian market during that period. Hence, there was no evidence of the use of the respondent's trademark in respect of its goods in the market in order to determine whether such goods were identical to or closely resembled the trademarks of the appellant. The High Court judge wrongly gave undue importance to the respondent's 2002 invoice and the date of registration

of its trademark in 2003 to constitute evidence of usage of the trademark with relation to the respondent's goods in the Malaysian market (see paras 61–62 & 64).

(7) The respondent admitted that during the period between the appellant's registration of its trademarks and the respondent's filing of the application for expungement, the respondent had ceased to use its trademark. The issue of whether or not the respondent had, during that interval, retained a measure of 'residual goodwill' and that it had not abandoned its trademark had to be determined based on the facts and evidence before the court. In the instant case, the cessation of the respondent's use of the trademark was for more than seven years. There was no evidence that the respondent had taken any steps to preserve its goodwill during those seven years (see paras 66–68).

[Bahasa Malaysia summary

Rayuan ini adalah terhadap keputusan Mahkamah Tinggi membenarkan permohonan responden di bawah s 45(1)(a) Akta Cap Dagangan 1976 ('ACD') untuk mengeluarkan dari daftar empat tanda dagangan 'SRAM' ('empat tanda yang dipersoalkan') perayu bagi barangan dalam Kelas 12 (basikal, bahagian dan aksesori basikal). Tanda 'SRAM' dicipta oleh perayu di Amerika Syarikat pada 1987 daripada akromin tiga ahli pengasasnya, Scott, Ray and Sam. Perayu membuat basikal, bahagian dan aksesori basikal di bawah pelbagai jenama yang mengandungi perkataan 'SRAM' dan barangannya yang mengandungi tanda tersebut telah dipaparkan dalam pelbagai acara antarabangsa, termasuk Sukan Olimpik 1988, 1996 dan 2000 yang telah disiarkan ke seluruh dunia, termasuk Malaysia. Responden, yang diperbadankan pada tahun 1995, dan dalam perniagaan mengedarkan dan menjual basikal, bahagian dan aksesori basikal, memohon untuk mendaftarkan tanda dagangnya yang mengandungi perkataan 'SRAM' untuk barangan dalam Kelas 12 pada Disember 2003 setelah menunjukkan bukti bahawa ia telah menggunakan tanda itu dalam perniagaannya setahun yang lalu. Walaupun mendapat bantahan daripada perayu bahawa tanda dagangan responden itu serupa dengan perayu dan mungkin mengelirukan orang ramai, pendaftar membenarkan pendaftaran itu. Selepas itu, antara tahun 2005 dan 2009, pendaftar membenarkan empat tanda yang dipersoalkan untuk didaftarkan tanpa bantahan daripada responden. Pada Disember 2015, responden memohon di bawah s 45(1)(a) ACD untuk deklarasi dan perintah bahawa keempat-empat tanda yang dipersoalkan itu dikeluarkan daripada Daftar kerana pendaftaran tersebut telah dibuat tanpa sebab yang mencukupi atau dibuat dengan salah. Mahkamah Tinggi membenarkan permohonan itu. Walau bagaimanapun, mahkamah memutuskan bahawa: (a) responden tidak diestop daripada memfailkan permohonan itu hanya kerana ia gagal untuk membantah pendaftaran empat tanda yang dipersoalkan itu; (b) responden tidak mengabaikan tanda dagangannya tetapi telah mengekalkan nama baik

dan reputasi yang tinggal dalam tanda itu yang berkaitan barangannya; (c) responden adalah pengguna pertama tanda dagangannya di Malaysia dan oleh itu pemilik undang-undang biasa bagi tanda dagangan 'SRAM' untuk barangan dalam Kelas 12; (d) hakikat bahawa empat tanda yang dipersoalkan itu telah digunakan berkaitan barangan perayu secara meluas di negara-negara di luar Malaysia adalah tidak relevan; dan (e) penggunaan perayu untuk empat tanda yang dipersoalkan itu yang berkaitan dengan barangannya berkemungkinan menipu atau mengelirukan orang awam kerana kesamaan yang ketara dengan tanda dagangan responden.

Diputuskan, membenarkan rayuan dan mengetepikan keputusan Mahkamah Tinggi:

(1) Mahkamah Tinggi terkhilaf dalam memutuskan bahawa responden adalah pengguna pertama dan pemilik undang-undang biasa tanda dagangan dan bahawa ia telah memenuhi keperluan yang ditetapkan dalam seksyen yang relevan dalam ACD untuk mewajarkan pengeluaran empat tanda yang dipersoalkan dari pendaftaran (lihat perenggan 38).

(2) Ia tidak dipertikaikan bahawa tanda 'SRAM' dicipta oleh perayu di Amerika Syarikat pada 1987 daripada akronim tiga ahli pengasasnya. Oleh demikian nama dagangan yang diperibadikan dan bukan terma generic biasa yang boleh dimiliki oleh sesiapa dan yang mana tiada sesiapa boleh tuntut mempunyai hak milikan ke atasnya. Keterangan telah dikemukakan bahawa tanda dagangan 'SRAM' telah dipaparkan dalam acara antarabangsa sukan dan telah mencapai reputasi seluruh dunia. Acara tersebut, termasuk Sukan Olimpik pada 1988, 1996 dan 2000, telah disiarkan seluruh dunia dan malah diterima di Malaysia. Responden, sebaliknya, tiada penjelasan untuk poihannya berhuung tanda dagangan sama 'SRAM' yang didakwa telah digunakan oleh mereka di Malaysia pada 1993. Ia bukan suatu pandangan yang tidak munasabah bahawa responden telah cuba memperoleh manfaat daripada reputasi seluruh negara perayu (lihat perenggan 39 & 42).

(3) Mahkamah Tinggi telah meletakkan kepentingan tidak wajar kepada perkataan 'use' untuk bermaksud penggunaan domestik, iaitu, di Malaysia sahaja, dan terkhilaf kerana mendapati bahawa penggunaan extensif tanda dagangan perayu di luar Malaysia adalah faktor tidak relevan untuk pertimbangan. Tafsiran terhad 'use' ini sebagai terhad untuk kegunaan domestik tidak disokong dengan autoriti. Mahkamah mengiktiraf reputasi atau nama baik boleh diperoleh di luar Malaysia. Hakim Mahkamah Tinggi terkhilaf akibat beban penggunaan meluas tanda perayu itu dalam acara sukan antarabangsa dan juga fakta yang acara tersebut mempamerkan tanda dagang perayu yang disiarkan di Malaysia dan oleh itu telah pun disiarkan kepada orang awam Malaysia (lihat perenggan 43 & 45).

(4) Hakim Mahkamah Tinggi terkhilaf mendapati penggunaan relevan tanda dagang itu bersifat kewilayahan, di mana tanda dagangan itu perlu digunakan secara tempatan, iaitu, di Malaysia, dan oleh itu apa-apa keterangan asal atau penggunaan antarabangsa tanda dagangan oleh perayu bukan pertimbangan relevan. Tambahan s 14(2) kepada ACD pada Ogos 2001 meng iktiraf konsep tanda dagang terkenal yang bukan bersifat kewilayahan. Konsep 'use' bukan lagi terhad secara kewilayahan dan pemilik tanda terkenal tidak perlu menjalankan perniagaan atau memiliki apa-apa nama baik dalam wilayah tempatan. Sebagaimana diputuskan oleh Mahkamah Persekutuan dalam kes *Yong Teng Hing v Walton International* [2012] 6 MLJ 209, di bawah s 14(2), tanda dagangan asing yang terkenal di Malaysia tidak boleh menjadi 'the basis for refusal of the registration of a similar mark by a different proprietor, notwithstanding that the foreign mark had not been used at all or registered in Malaysia' (see perenggan 46–48).

(5) Responden perlu memuaskan keperluan ss 14, 36–37 dan 45 ACD agar berhak memohon untuk mengeluarkan tanda dagangan perayu. Hakim Mahkamah Tinggi telah gagal memberi beban mencukupi kepada seksyen-seksyen tersebut yang memberi langkah kerlindungan kepada tanda dagangan berdaftar. Khususnya, s 37 memberikan perlindungan kepada tanda dagangan yang telah pun didaftarkan leb ih tujuh tahun. Dua daripada empat tanda yang dipersoalkan telah didaftarkan lebih tujuh tahun. Permohonan responden untuk mnegeluarkan tanda yang tleah didaftarkan lebih tujuh tahun menimbulkan isu bona fide permohonan dan menganggap tanda dagangan perayu adlah sah di bawah ACD (lihat perenggan 49 & 53–54).

(6) Bagi menyokong permohonan s 45 untuk pengeluaran, responden telah menunjukkan keterangan tentang penggunaan tanda dagangannya dari 2007–2016 untuk membuktikan kekeliruan dan penipuan di bawah s 14 ACD. Tarikh penting yang dikehendaki oleh kedua-dua ss 14 dan 45 ACD adalah tarikh pendaftaran tanda dagangan perayu, iaitu dari 2005–2009. Tiada keterangan tentang barangan responden di pasaran Malaysia sepanjang tempoh tersebut. Justeru, tiada keterangan berhubung penggunaan tanda dagangan responden berkaitan barangannya di pasaran bagi tujuan menentukan sama ada barangan tersebut sama kepada atau hampir menyerupai tanda dagangan perayu. Hakim Mahkamah Tinggi terkhilaf memberikan kepentingan yang tidak wajar kepada invois 2002 responden dan tarikh pendaftaran tanda dagangannya pada 2003 untuk membentuk keterangan berhubung penggunaan tanda dagangan berkaitan barangan responden di pasaran Malaysia (lihat perenggan 61–62 & 64).

(7) Responden mengakui bahawa sepanjang tempoh antara pendaftaran perayu tentang pendaftarannya dan pemfailan permohonan responden

untuk pengeluaran, responden telah menghentikan penggunaan tanda dagangannya. Isu sama ada atau tidak responden telah, sepanjang tempoh tersebut, mengekalkan langkah 'residual goodwill' dan bahawa ia tidak mengabaikan tanda dagangannya perlu ditentukan berdasarkan fakta dan keterangan di hadapan mahkamah. Dalam kes ini, pemberhentian penggunaan tanda dagangan responden adalah lebih tujuh tahun. Tiada keterangan bahawa responden telah mengambil apa-apa langkah untuk melindungi nama baiknya sepanjang tujuh tahun tersebut (lihat perenggan 66–68).]

Notes

For cases on registered mark, see 12(2) *Mallal's Digest* (5th Ed, 2017 Reissue) paras 2721–2726.

Cases referred to

Ad-Lib Club Ltd v Granville [1971] 2 All ER 300, Ch D (refd)

Ho Tack Sien & Ors v Rotta Research Laboratorium SPA & Anor (Registrar of Trade Marks, intervener) [2015] 4 MLJ 166; [2015] 4 CLJ 20, FC (refd)

Industria De Diseno Textil, SA v Edition Concept Sdn Bhd [2005] 3 MLJ 347, HC (refd)

Lim Yew Seng v Hummel International Sports & Leisure A/S [1996] 3 MLJ 7, CA (refd)

McLaren International Ltd v Lim Yat Meen [2009] 5 MLJ 741; [2009] 4 CLJ 749, FC (refd)

Meidi (M) Sdn Bhd v Meidi-Ya Co Ltd, Japan & Anor [2008] 6 MLJ 433, CA (refd)

Mesuma Sports Sdn Bhd v Majlis Sukan Negara Malaysia (Pendaftar Cap Dagangan Malaysia, interested party) [2015] 6 MLJ 465, FC (refd)

Special Effects Ltd v L'Oreal SA [2007] RPC 15, CA (refd)

Walton International Ltd v Yong Teng Hing (B/S Hong Kong Trading Co) [2011] 5 MLJ 397, CA (refd)

Yong Teng Hing b/s Hong Kong Trading Co & Anor v Walton International Ltd [2012] 6 MLJ 609; [2012] 6 CLJ 337, FC (refd)

Legislation referred to

Evidence Act 1950 ss 101(1), 102

Rules of Court 2012 O 28 r 7(1)

Trade Marks Act 1976 ss 3(2), (2)(b), 10, 14, 14(1)(a), (2), 25(1), 28(1), 36, 37, 37(a), (b), (c), 45, 45(1)(a)

Trade Marks Regulations 1997 reg 37(a)

Appeal from: Originating Summons No 24 (IP)-33–07 of 2015 (High Court, Kuala Lumpur)

Cyrus Das (Nor Athirah Khairol Anuar with him) (Miranda & Samuel) for the appellant.
Ong Boo Seng (Kwok Tat Wai with him) (Zaid Ibrahim) for the respondent.

Badariah Sahamid JCA:

INTRODUCTION

[1] This is an appeal against the decision of the learned judicial commissioner ('JC') dated 4 May 2016, who ordered the defendant's SRAM Marks under registration Nos 05016151, 07017014, 09012790 and 09003528 in Class 12 ('defendant's SRAM marks') to be expunged and removed from the register.

[2] For ease of reference parties will be referred to as they were in proceedings before the High Court.

SALIENT FACTS

[3] The plaintiff, Huan Schen Sdn Bhd is a local company which was incorporated in 1995. The plaintiff has been in the business of distribution and selling of bicycles, bicycle parts and accessories.

[4] The defendant, SRAM LLC a company incorporated in the United States of America (USA) in 1987, manufactures bicycles and bicycle parts and accessories under the trademarks, 'SRAM', 'SRAM RIVAL' and their variations.

[5] It was not disputed that the trademark 'SRAM' was created by the defendant in the United States in 1987. The trademark 'SRAM' was created from the acronym of the three founders of the company: *S*cott, *R*ay and S*am*.

[6] It was averred in the defendant's affidavit that the defendant's goods and the defendant's five trademarks had been featured in international events, including the Seoul Summer Olympic Games in 1988, the Atlanta Summer Olympic Games in 1996 and the Sydney Summer Olympic Games in 2000. The abovementioned Olympic Games were telecasted globally and broadcasted in Malaysia via local television channels like Radio Television Malaysia, Sistem Televisyen Malaysia Bhd and Astro.

[7] On 26 December 2003, the plaintiff had applied for registration of the plaintiff's trademark for goods in Class 12 (bicycles, bicycle parts and accessories). The defendant had opposed the plaintiff's application on the grounds that the plaintiff's trademark was deceptively similar to the

defendant's 'SRAM' marks and was likely to confuse the public. A

[8] The registrar had dismissed the defendant's opposition, inter alia, on the grounds that:

(a) the defendant had failed to establish the use of its trademarks in Malaysia before 26 December 2003 (the date of the plaintiff's application); B

(b) the plaintiff was the first user of the plaintiff's trademark in Malaysia; and

(c) the plaintiff's trademark is distinctive of the plaintiff's goods under s 10 of the Trade Marks Act 1976 ('the TMA'). C

[9] Consequent to the registrar's dismissal of the defendant's opposition, the plaintiff's trademark was registered with effect from 26 December 2003. On 6 January 2016, the registration of the plaintiff's trademark was renewed for ten years up to 26 December 2023. D

[10] The defendant filed an appeal against the decision of the registrar on 22 October 2015, but made an application to discontinue the appeal. The defendant's appeal was struck out with costs of RM10,000 to the plaintiff. E

[11] By December 2015 the registrar had registered all five trademarks carrying the trade name 'SRAM' for Class 12 goods. Four of them were in the name of the defendant and one in the name of the plaintiff. The defendant had unsuccessfully opposed the registration of the plaintiff's mark. However the plaintiff did not oppose the registration of the defendant's marks. F

[12] On 30 December 2015, the plaintiff filed an originating summons ('OS') under s 45(1)(a) of the TMA to expunge five trademarks ('defendant's five trademarks') registered in the register of trademarks in the name of the defendant. The plaintiff's OS, among others, sought the following prayers: G

(a) a declaration that the following defendant's five trademarks are entries made without sufficient cause, wrongfully made and/or wrongfully remaining in the register: H

   (i) stylish verbal mark 'SRAM RIVAL' registered on 27 September 2005 with the registration No 05016151 for goods in Class 12;

   (ii) stylish verbal mark 'SRAM VIA' registered on 5 March 2009 with the registration No 09003528 for goods in Class 12; I

   (iii) stylish verbal mark 'SRAM APEX' registered on 30 July 2009 with the registration No 09012790 for goods in Class 12;

   (iv) verbal mark 'SRAM RED 'registered on 29 August 2007 with the registration No 07017014 for goods in Class 12; and

(v) verbal mark 'SRAM RED' registered on 29 August 2007 with the registration No 07017014 for goods in Class 25 (clothing);

(b) an order that the registrar rectify the register by expunging and removing from the register the defendant's five trademarks and the whole of the entries relating to such registrations, within 14 days from the date of the filing of the order of this court with the registrar.

ISSUES BEFORE THE HIGH COURT

[13] The issues before the learned JC may be summarised as follows:

(a) whether the plaintiff can file the current OS under s 45(1)(a) of the TMA to expunge the defendant's five trademarks when the plaintiff did not oppose the defendant's applications for registration of the defendant's five trademarks under s 28(1) of the TMA and reg 37(a) of the Trade Marks Regulations 1997 ('the TMR')?

(b) whether a temporary cessation of the use of the plaintiff's trademark due to the defendant's opposition to the plaintiff's application to register the plaintiff's trademark, is a bar to this OS?

(c) whether the plaintiff is a 'person aggrieved' by the defendant's five trademarks under s 45(1)(a) of the TMA so as to entitle the plaintiff to file this OS?

(d) whether the plaintiff or the defendant was the first user of the verbal mark 'SRAM' in the course of trade in Malaysia (and thereby the common law proprietor of the 'SRAM' trademark). Can the court consider the use of the mark outside Malaysia which has been broadcasted to the Malaysian public? and

(e) whether the plaintiff may expunge the defendant's five trademarks which have been registered for more than seven years?

DECISION OF THE HIGH COURT

[14] The learned JC had addressed the abovementioned issues raised before him and made the following findings.

Whether the plaintiff is estopped from filing this OS by the plaintiff's failure to oppose registration of the defendant's trademarks?

[15] The learned JC found that the plaintiff's failure to oppose the defendant's applications does not estop or bar the plaintiff from filing this OS on the authorities of *Ho Tack Sien & Ors v Rotta Research Laboratorium SPA & Anor (Registrar of Trade Marks, intervener)* [2015] 4 MLJ 166; [2015] 4 CLJ 20; *Special Effects Ltd v L'Oreal SA* [2007] RPC 15; *Yong Teng Hing b/s Hong*

Kong Trading Co & Anor v Walton International Ltd [2012] 6 MLJ 609; [2012] 6 CLJ 337. In the learned JC's judgment at p 17, the following was stated: A

> Based on *Ho Tack Sien*, the registration of a trademark is not a defence to an expungement application under s 45(1)(a) of the TMA when the trademark has been wrongfully entered in the register. Furthermore, even if a trademark has been registered for more than seven years, s 37(a)–(c) of the TMA allow such a registration to be expunged from the register. Accordingly, the plaintiff's failure to oppose the registration of the defendant's five trademarks under s 28(1) of the TMA and reg 37(a) TMR, cannot estop or bar the plaintiff from filing this OS. B

Whether temporary cessation of use of the plaintiff's trademark would estop or bar this OS? C

[16] The learned JC had relied on the principle in the case of *Ad-Lib Club Ltd v Granville* [1971] 2 All ER 300, that where a trader ceases to carry on his business, he may still retain the goodwill in connection to his business and may thus be able to enforce his rights in respect of any name which is attached to that goodwill. It is a question of fact and degree. The learned JC made the finding that there is no evidence that the plaintiff had abandoned the plaintiff's trademark and thus made the finding that the plaintiff had retained residual goodwill and reputation in relation to the plaintiff's trademark in relation to the plaintiff's goods. D E

Whether the plaintiff is a 'person aggrieved' by the defendant's five trademarks under s 45(1)(a) of the TMA? F

[17] The learned JC had relied on the authorities of the Federal Court cases of *McLaren International Ltd v Lim Yat Meen* [2009] 5 MLJ 741; [2009] 4 CLJ 749, *Mesuma Sports Sdn Bhd v Majlis Sukan Negara Malaysia (Pendaftar Cap Dagangan Malaysia, interested party)* [2015] 6 MLJ 465 for the interpretation of 'an aggrieved person' as a person who has 'a genuine and present intention to use his mark as a trademark in the course of a trade which is the same or similar to the trade of the owner of the registered trademark that the person wants to have removed from the register' — *Mc Laren*'s case. In addition, the learned JC referred to *Mesuma*'s case for the proposition that, 'the person must be someone who has some element of legal interest, right or legitimate expectation in its own mark which is being substantially affected by the presence of the registered trademark'. G H

[18] The learned JC made the finding that the plaintiff was an 'aggrieved person' on the premise that the plaintiff had clearly used the plaintiff's trademark for the goods in Class 12 in the course of the plaintiff's trade, which is similar to that of the defendants. In addition, the plaintiff has some element of legal interest, legal right and/or legitimate expectation in the plaintiff's I

A trademark for the plaintiff's goods in Class 12 which is substantially and adversely affected by the presence of the defendant's first, second,third and fourth trademarks.

B **[19]** In addition, the learned JC also made the finding that the plaintiff is an 'aggrieved person' on the JC's determination that the plaintiff is the first user as well as the common law proprietor of the plaintiff's trademarks for the plaintiff's goods in Class 12 in the course of trade in Malaysia.

C **[20]** However, in respect of the defendant's fifth trademark in respect of goods in Class 25 (clothing) the learned JC made a finding that the plaintiff is not an 'aggrieved person' under s 45(1)(a) of the TMA on the grounds that the plaintiff has not used the plaintiff's trademark for goods in Class 25, and there is no evidence that the plaintiff has a genuine and present intention to use the D plaintiff's trademark for goods in Class 25. There is also no likelihood of confusion as the goods in Class 12 namely bicycles, bicycle parts and accessories) do not share a similar nature and purpose as goods in Class 25 (clothing). The goods in Classes 12 and 25 are also not targeted at the same customers, retailers and/or distributors.

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THE USER

Whether the plaintiff or the defendant was the first user of the verbal mark 'SRAM' in the course of trade in Malaysia (and thereby the common law proprietor of the F *'SRAM' trademark)?*

[21] The learned JC made the finding that it was the plaintiff who was the first user of the trademark 'SRAM' and also the common law proprietor of the abovementioned trademark. The learned JC had premised his findings on the G following grounds. In respect of the issue as to who is the common law proprietor of a trademark, while it is not disputed that the defendant is the creator of the trademark 'SRAM', the common law ownership to a trademark requires the claimant to establish its entitlement, not by demonstrating it is the H creator of the trademark, but by reason of its use as a trademark on goods in the course of its trade — see *Mesuma*'s case. The position under common law is that a first user of a mark in the course of trade is lawfully the common law proprietor of the mark.

I **[22]** The word 'used' in s 25(1) of the TMA is construed by referring to s 3(2)(b) of the TMA whereby the use of a mark in relation to goods 'shall be construed' as references to the use of the mark in relation to goods in the course of trade.

[23] In addition thereto, the mark in question should be used on or in relation to goods within the Malaysian territory. In support of the abovementioned proposition, the learned JC had referred to the following cases: *Yong Teng Hing*, *Mesuma Sports Sdn Bhd*, *Lim Yew Sing v Hummel International Sports & Leisure A/S* [1996] 3 MLJ 7 and *Meidi (M) Sdn Bhd v Meidi-Ya Co Ltd, Japan & Anor* [2008] 6 MLJ 433.

[24] Thus the learned JC found that the fact that the defendant's five trademarks has been registered as trademarks and has been used extensively in countries outside Malaysia is irrelevant.

[25] According to the learned JC, as it was the plaintiff who had initiated the OS, the legal burden pursuant to ss 101(1) and 102 of the Evidence Act 1950 is on the plaintiff to prove on a balance of probabilities that the plaintiff was the first user of the 'SRAM' mark in the course of trade in Malaysia. The learned JC found that plaintiff had discharged his burden of proof on the following evidence:

(a) the plaintiff's invoice dated 2 January 2002 bore the plaintiff's trademark and constituted contemporaneous documentary evidence;

(b) the plaintiff's Application to register the trademark was made on 26 December 2003, after the plaintiff had first used the plaintiff's trademark in the course of trade in Malaysia on 2 January 2002;

(c) the plaintiff's subsequent conduct also supports the finding that the plaintiff had indeed used the plaintiff's trademark in the course of trade in Malaysia on 2 January 2002; and

(d) the fact that the plaintiff did not author, create or design the 'SRAM' mark, does not mean that the plaintiff could not have first used the 'SRAM' mark in the course of trade in Malaysia on 2 January 2002.

[26] The learned JC also found it noteworthy that the defendant did not counterclaim in this OS under O 28 r 7(1) of the Rules of Court 2012 for the expungement of the plaintiff's trademark from the register.

[27] The learned JC also made the finding that the defendant had failed to prove that the defendant was the first user of the 'SRAM' mark in the course of trade in Malaysia based on the following evidence:

At para 42 of the judgment it was stated as follows:

(1) the Defendant's affidavits contained 2 different dates (1988 and 1999) as to when the Defendant had first used the 'SRAM' mark in the course of trade in Malaysia. Before the registrar, the Defendant claimed to have used the 'SRAM' mark since 2000. Such material inconsistencies by the

Defendant on a crucial issue in this case, showed a lack of good faith and credibility on the part of the Defendant.

(2) there is no documentary evidence adduced by the Defendant to show the use of the Defendant's five trademarks on or in relation to the Defendant's goods in the course of trade in Malaysia on or before 2 January 2002 (the plaintiff's first use of the plaintiff's trademark in the course of trade in Malaysia). The Defendant's invoice dated 12 January 1999 did not state or refer to the Defendant's five trademarks.

(3) there is no evidence that —

(a) the Defendant's five trademarks had been used on or in relation to the Defendant's Goods in the course of trade in the 3 Olympic Games; and

(b) the use of the Defendant's five trademarks on or in relation to the Defendant's goods in the 3 Olympic Games, had been broadcasted to the Malaysian public.

[28] The learned JC also took the position, that even if there was evidence that the defendant's five trademarks had been used in relation to the defendant's goods in the three Olympic Games and such use had been broadcasted to the Malaysian public, such evidence is not material as what is required is the use of the defendant's five trademarks in relation to the defendant's goods in Malaysia, not abroad. In addition, even if there were broadcasts to the Malaysian public via television, broadcasting does not constitute 'use' within the meaning of all the three limbs of s 3(2) of the TMA.

Whether the plaintiff may expunge the defendant's five trademarks which has been registered for more than seven years?

[29] The learned JC was of the view that in order to challenge the validity of the defendant's first to fourth trademarks which had been registered for more than seven years, the plaintiff has to discharge the legal burden to prove on a balance of probabilities that the defendant's first to fourth trademarks were not distinctive of the defendant's goods on 30 December 2016 (the date of filing of the OS).

[30] In determining whether the trademarks are distinctive of the goods of the proprietor, the authority of *Lim Yew Sing* was referred to as follows:

> What emerges from s 12 is that, to be a trademark, the mark has to be distinctive of the goods of the proprietor. That distinctiveness has to be gauged by the extent to which the trademark is adapted to distinguish the goods with which its proprietor is connected in the course of trade, goods with which no connection subsists. For the purpose of establishing distinctiveness, therefore, one must look to the use of the mark in the course of trade.

'*Likely to deceive or cause confusion*'

[31] In addition to addressing the five issues raised abovementioned, in the course of his judgment the learned JC had also considered a related issue of whether the defendant's first to fourth trademarks offends s 14(1)(a) of the TMA in that they were 'likely to deceive or cause confusion' to the public. The learned JC was of the view that the plaintiff bears the legal burden to prove on a balance of probabilities that the use of the defendant's first to fourth trademarks on the defendant's goods is 'likely to deceive or cause confusion to the public'. In respect of the above, the learned JC had stated the following in para 53 of his judgment:

> I make a finding of fact that the plaintiff had succeeded in proving on a balance of probabilities that the use of the defendant's first to fourth trademarks on the defendant's goods is likely to deceive or confuse the public in respect of the defendant's first to fourth trademarks and the plaintiff's trademark. Such a finding is based on the following evidence and reasons:
>
> (a) Considering the nature, characteristics, composition, purpose and use of the plaintiff's Goods as explained by Romer J (as he then was) in the English HC case of *Ladislas Jellinek* (1946) 63 RPC 59, at 70, there is a similarity of description between the plaintiff's Goods and the defendant's goods. In fact both the plaintiff's goods and the defendant's goods are in the same Class 12.
>
> (b) The customers, end users, consumers and purchasers (*customers*) of the plaintiff's goods and the defendant's goods are the same.
>
> (c) the nature of the trade channels of the plaintiff's goods and the defendant's goods is the same in the sense that the distributors, dealers and retailers (*traders*) for the plaintiff's goods and the defendant's goods are the same.
>
> (d) the plaintiff's trademark and the defendant's first to fourth trademarks are used in the same manner upon or in relation to the plaintiff's goods and the defendant's goods.
>
> (e) a visual inspection of the plaintiff's trademark and the defendant's first to fourth trademark reveal some differences. However, despite the differences, the plaintiff's trademark and the defendant's first to fourth trademarks share a striking similarity, namely the word 'SRAM' which is featured most prominently in the plaintiff's trademark and the defendant's first to fourth trademark.
>
> (f) a phonetic comparison undertaken found that when the plaintiff's trademark and the defendant's first to fourth trademarks are pronounced, the real likelihood of deception and/or confusion is clear. Both the plaintiff's and the defendant's trademarks sound alike, especially when the first word 'SRAM' is pronounced.
>
> (g) applying the 'general recollection test', the defendant's first to fourth trademarks would be remembered as the plaintiff's trademark by

reasonable customers and traders with an average memory and an imperfect recollection of the trademarks' precise details.

(h) there is a similarity of ideas and concept between the plaintiff's trademark and the defendant's first to fourth trademarks.

[32] The learned JC was satisfied that the plaintiff had discharged this burden as the defendant had not adduced any admissible, contemporaneous and credible documentary evidence as of 30 December 2015 in respect of the use of the defendant's first to fourth trademarks in the course of trade in Malaysia.

[33] The learned JC was of the view that once the plaintiff had proven that the grounds for the expungement of a trademark had been made out pursuant to s 37(b) or (c) of the TMA, the court has no discretion and it is mandatory for the court to remove the trademark from the register in accordance with s 45(1)(a) of the TMA (see *Ho Tack Sien*).

[34] Premised on the above evidence and reasons, the learned JC allowed the plaintiff's OS under s 45(1)(a) of the TMA to expunge the defendant's five trademarks registered in the register of trademarks in the name of the defendant only to the following extent:

(a) in respect of the first prayer, a declaration is granted that the defendant's first to fourth trademarks are entries made without sufficient cause, wrongfully made and/or wrongfully remaining in the register; and

(b) as regards the second prayer, an order that the registrar rectify the register by expunging and removing from the register the defendant's first to fourth trademarks and the whole of the entries relating to such registrations, within 14 days from the date of filing of the order of the court with the registrar; and

(c) costs to the plaintiff subject to allocator fees.

OUR DECISION

[35] After careful consideration of the appeal records and the extensive oral and written submissions of learned counsels, we are of the considered view that there are merits in this appeal that warrant appellate intervention. Our reasons for doing so are as follows.

[36] The primary issue raised in this appeal before us is whether the learned JC had erred in his decision to expunge the trademarks of the defendant and whether in doing so the learned JC had given due recognition to the protection afforded by the TMA.

[37] From the outset, we wish to make it clear that we are in agreement with the finding of the learned JC that the plaintiff was 'an aggrieved person' pursuant to s 45(1)(a) of the TMA, in that the plaintiff satisfies the requirement of a person who has 'a genuine and present intention to use his mark as a trademark — in the course of a trade which is the same or similar to the trade of the owner of the registered trademark that the person wants to have removed from the register' (see *Mc Laren*'s case and *Mesuma*'s case).

[38] However, in our view, while the plaintiff has the necessary locus to make this application, the plaintiff has not discharged the burden of proving that the plaintiff is the first user and common law proprietor of the trademarks in question. Neither has the plaintiff satisfied the requirements laid down in the relevant sections of the TMA to entitle him to expunge four of the defendant's five registered trademarks.

Origin of trademark 'SRAM'

[39] It is an undisputed fact that the trademark 'SRAM' was created by the defendant in the United States in 1987. It was created from the acronym of the three founders of the company: Scott, Ray and Sam. It is therefore a personalised trade name as opposed to a common generic term which could belong to anyone, and to which no person could claim to have a proprietary right over (*Lim Yew Seng v Hummel International Sports & Leisure A/S* [1996] 3 MLJ 7).

[40] In contrast, there was no explanation from the plaintiff as to how they had arrived at the name 'SRAM'. The lack of a plausible explanation as to the origins of the trademark in issue was a relevant factor in the case of *Walton International Ltd v Yong Teng Hing (B/S Hong Kong Trading Co)* [2011] 5 MLJ 397, in the Court of Appeal where Ramly Ali JCA (as he then was) had observed the following:

> The evidence indicates that the respondent did not independently devise the mark himself ... the respondent has failed to proffer any plausible explanation on his choice of mark which is identical to the appellant's mark.

[41] The Federal Court, in the same case (*Yong Teng Hing b/s Hong Kong Trading Co & Anor v Walton International Ltd* [2012] 6 MLJ 609 had endorsed the above quoted observation of the Court of Appeal as follows:

> We noted that the Court of Appeal in the present case had also made a crucial finding of fact that the appellant had not 'independently devised the mark himself'. The Court of Appeal held that the appellant had tried to obtain the benefit of the worldwide reputation of the respondent. In our view such a finding is not unreasonable bearing in mind that the appellant had failed to offer any plausible explanation on his choice of mark which is identical to the respondent's mark.

[42] A similar analogy to the above can be drawn on the facts of this case. The trademark 'SRAM' was created by its founders in the US in 1987, derived from the acronym of the defendant's three founders: Scott, Ray and Sam. There was evidence adduced by the defendant that the trademark 'SRAM' had been featured in international sports events and had thus attained worldwide reputation. These international events include the Seoul Summer Olympic Games in 1988, the Atlanta Summer Olympic Games in 1996 and the Sydney Summer Olympic Games in 2000. The abovementioned Olympic Games were telecasted globally and broadcasted in Malaysia via local television channels like Radio Television Malaysia, Sistem Televisyen Malaysia Bhd and Astro. The plaintiff on the other hand, had no explanation for their choice of the identical trademark 'SRAM' which according to the plaintiff, they began to use in Malaysia in 1993. From the above facts, likewise it would not be an unreasonable view that the plaintiff had attempted to obtain the benefit of the defendant's worldwide reputation.

Non-territorial use

[43] We note that the learned JC had allowed the plaintiff's application to expunge four of the defendant's five registered trademarks primarily on the premise that the plaintiff had demonstrated the use of his goods with the similar trademark 'SRAM' in Malaysia in 2002. The finding of the learned JC was also that the absence of evidence of the defendant's use of the defendant's trademarks in Malaysia prior to 2002 also meant that it was the plaintiff who was the first user and the common law proprietor of the defendant's trademarks. The learned JC appears to have placed undue importance to use as domestic use ie in Malaysia only.

[44] In this respect we agree with learned defendant's counsel's submission that the learned JC had erred in law in his finding that the extensive use of the plaintiff's trademark outside Malaysia was an irrelevant factor for consideration. This restrictive interpretation of 'use' as restricted to domestic territory is not supported by authorities. Courts have recognised that reputation or goodwill can be acquired outside Malaysia. In the *Walton* case, in the Court of Appeal, Ramly Ali JCA (as he then was) had observed as follows:

> If at the date of application for registration of the trademark by the respondent, the trademark although it has not been used in Malaysia, has become associated in the mind of the public with the appellant's goods, then the respondent cannot claim or appropriate proprietorship of the said trademark. There are no artificial limits on geographical areas to which reputation or goodwill can or cannot extend. Thus, the appellant's reputation or goodwill in the 'GIODANO' trademark outside Malaysia prior to the respondent's use of the said mark in 1992 reinforces and supplements the reputation and goodwill of the appellant's 'GIODANO MARK in Malaysia.
>
> Modern technology and communications have improved to such an extent that the

public in Malaysia would be aware of foreign marks even though such marks had not been previously used in Malaysia. Confusion and deception have no borders in these days of information technology age.

[45] Thus, the learned JC had erred in not giving due weight to the widely used marks of the defendant in the international sports events as well as the fact that such events which featured the defendant's trademarks were broadcasted in Malaysia and thus the defendant's trademarks would have been publicised to the Malaysian public.

[46] In addition, in August 2001, the TMA was amended by the addition of s 14(2) which gave recognition to well-known marks through the adoption of article 6 Bis of the Paris Convention and article 16 of TRIPS.

The concept of well-known marks which is non-territorial in nature was recognised by the Federal Court in *Walton*'s case where Zulkefli Makinudin CJ (Malaya) had observed as follows:

> We would like to state here that after the *Hemmel*'s case there has been a shift in direction and approach towards the acceptance of the reputation of foreign trademarks which would bar the registration by a proprietor of a mark that is similar thereto. In this regard an amendment was made to s 14 of the Act as of 1 August 2001(Act A1078) by the introduction of the concept of well-known trademark. Under this new provision of the Act, a foreign trademark which is well known in Malaysia, shall be the basis for refusal of the registration of a similar mark by a different proprietor, notwithstanding that the foreign mark has not been used at all or registered in Malaysia.

[47] As a result of the amendment abovementioned, the concept of 'user' is no longer restricted territorially. The proprietor of a well-known mark need not carry on business or possess any goodwill within the local territory.

[48] Thus the learned JC had erred in his finding that the relevant usage of a trademark is territorial, in that a trademark must have been used locally ie in Malaysia and thus, any evidence of the trademark's origin or use internationally by the defendant is not a relevant consideration.

Protection to registered trademarks

[49] In our considered view, in order to entitle the plaintiff to expunge the defendant's trademarks, the plaintiff must also satisfy the requirements of ss 36, 37, 14 and 45 of the TMA. In this respect we are of the view that while the learned JC had referred to the above stated sections in his grounds of judgment, the learned JC had failed to give sufficient weight to the above stated sections which stipulate a measure of protection to registered trademarks.

[50] Details of the defendant's trademarks respectively registered are as follows:

(a) stylish verbal mark 'SRAM RIVAL' *registered on 27 September 2005* with the registration No 05016151 for goods in Class 12;

(b) stylish verbal mark 'SRAM VIA' *registered on 5 March 2009* with the registration No 09003528 for goods in Class 12;

(c) stylish verbal mark 'SRAM APEX' *registered on 30 July 2009* with the registration No 09012790 for goods in Class 12; and

(d) verbal mark 'SRAM RED' *registered on 29 August 2007* with the registration No 07017014 for goods in Class 12. (Emphasis added.)

[51] From the dates of registration of the defendant's trademarks as stated above, it is not disputed that the plaintiff's action to expunge the defendant's trademarks was only commenced on 30 December 2016 (the date of filing of the OS), more than seven years after the registration of the defendant's trademarks. The long delay in instituting the OS to expunge the defendant's trademark raises the issue of the bona fides of the plaintiff's application and presumptions of the validity of the plaintiff's trademark under the TMA.

Validity of registration

[52] The registration of a trademark is prima facie evidence of the validity of the original registration. This is provided by s 36 of the TMA as follows:

> 36 In all legal proceedings relating to a registered trade mark (including applications under section 45) the fact that a person is registered as proprietor of the trade mark shall be prima facie evidence of the validity of the original registration of the trade mark and of all subsequent assignments and transmissions thereof.

[53] In addition thereto, the learned JC had failed to take into account the protection afforded by s 37 of the TMA for trademarks which have been registered for more than seven years. Out of the four marks expunged, two of the defendant's trademarks (1 and 5) had been registered for at least seven years, which would therefore invoke the protection of s 37 of the TMA which provides as follows:

> 37 Registration conclusive
>
> In all legal proceedings relating to a trade mark registered in the Register (including applications under section 45) the original registration of the trade mark under this Act shall, after the expiration of seven years from the date thereof, be taken to be valid in all respects unless it is shown —
>
> (a) that the original registration was obtained by fraud;
>
> (b) that the trade mark offends against section 14; or

(c) that the trade mark was not, at the commencement of the proceedings, distinctive of the goods or services of the registered proprietor, except that this section shall not apply to a trade mark registered under the repealed Ordinances and incorporated in the Register pursuant to subsection 6(3) until after the expiration of three years from the commencement of this Act.

[54] We agree with the submissions of the defendant that s 45 of the TMA which expressly states 'subject to the provisions of this Act', must be read subject to s 37 of the TMA which affords protection to trademarks which have been registered for more than seven years, provided that either of the three limbs of s 37 contained in paras (a), (b), or (c) has been satisfied. From the particulars of the dates of registration of the defendant's trademarks, it was conceded by the plaintiff's counsel that two marks were registered more than seven years and thus enjoy the conclusiveness protection under s 37. However, two other registered marks were registered less than seven years.

[55] On the facts of the instant case, the requirements of sub-s (a) do not apply as the learned JC had made the correct finding that the original registration of the defendant's four trademarks was not obtained by fraud. There is no cross-appeal by the plaintiff on this finding.

Prohibition on registration

[56] From the facts of the instant case the issue is whether the trademark offends against sub-ss (a), (d) and (e) of s 14 of the TMA.

[57] Section 14 of the TMA lays down the specific grounds on which a mark may be disqualified from registration as follows:

14 Prohibition on registration

(1) A mark or part of a mark shall not be registered as a trade mark —

(a) if the use of which is likely to deceive or cause confusion to the public or would be contrary to law;

(b) ...

(c) ...

(d) if it is identical with or so nearly resembles a mark which is well known in Malaysia for the same goods or services of another proprietor;

(e) if it is well known and registered in Malaysia for goods or services not the same as to those in respect of which registration is applied for provided that the use of the mark in relation to those goods or services would indicate a connection between those goods or services and the proprietor

A of the well-known mark, and the interests of the proprietor of the well-known mark are likely to be damaged by such use.

'Likely to deceive or cause confusion'

B **[58]** In the case of *Lim Yew Sing v Hummel International Sports & Leisure A/S* [1996] 3 MLJ 7, Mahadev Shankar JCA had laid down the requirements to be satisfied under s 45 of the TMA before the registered trademarks can be expunged. His Lordship had stated at p 29 as follows:

C Wholly different considerations apply where an application is being made under s 45 of our Act for the removal of the registration of an entry made conclusive by s 37. Here, the respondent must prove that by reason of the similarity, there is a practical likelihood of confusion to the public and 'this he can only do for the purposes of the section (ie our s 14) by proving *the existing use* by another ... which is likely to cause deception or confusion (as per Upjohn LJ) (Emphasis added.)

D

[59] In *Hummel*'s case the Court of Appeal made a finding that the respondent had not shown any evidence of confusion or deception as required by s 14 of the TMA. His Lordship Ramly Ali JCA had stated (at p 27) as
E follows:

In terms of hard evidence, the respondent's counsel had nothing to show that the respondent's products with the HUMMEL (D) mark was actually being traded in the Malaysian market, or that the respondent had publicised its HUMMEL (D) mark in the Malaysian market by advertisements or other material so as to induce
F the Malaysian public to believe that its products were on sale here.

[60] In the instant case the learned JC had determined that the goods of the defendant were similar to the plaintiff on a visual inspection of the common trademark 'SRAM', the similarity in terms of the description and phonetics as
G well as users and suppliers of the goods, to prove that the use of respondent's goods in the Malaysian market would cause confusion to the Malaysian market. There was however, no evidence of the use of the plaintiff' goods at the material time or any evidence that such use had that caused confusion to a significant number of the Malaysian market.

H

Material date

[61] In our view, the learned JC had placed undue importance on two factors: (a) the plaintiff's invoice dated 2 January 2002 which bore the
I plaintiff's trademark, which according to the learned JC constituted contemporaneous documentary evidence usage of the plaintiff's goods in the Malaysian market; and (b) the plaintiff's application to register the trademark which was made on 2 January 2002 after the plaintiff had first used the plaintiff's trademark in the course of trade in Malaysia on 2 January 2002.

However, in support of the plaintiff's s 45 application for expungement, the plaintiff had not tendered any evidence of the use of the plaintiff's use of the trademark from 2007–2016, to prove confusion and deception under s 14 of the TMA.

[62] The material date for the purpose of s 14 of the TMA is the date of the original registration of the defendant's trademarks, which is not disputed to be from 2005–2009. In the case of *Industria De Diseno Textil, SA v Edition Concept Sdn Bhd* [2005] 3 MLJ 347, one of the issues raised before the High Court was what is the correct date to be looked at in order to determine the issue of confusion and deception for purposes of s 14(1)(a) of the TMA? Ramly Ali J (as His Lordship then was) answered the above question in the following terms:

> Section 14(1)(d) prohibits registration of a trademark if it is identical with or so nearly resembles a mark which is well known in Malaysia for the same goods or services of another proprietor. Again, the court is of the view that the time or date for consideration when and whether the defendant's trade is well known as to bar the registration of the plaintiff's trademark under s 45(1)(a) reads together s 14(1)(d) for being wrongly entered is at the date of the original registration ... following the decision in *Ronuk Ltd v Sin Thye Hin & Co* [1962] MLJ 383 and a logical interpretation of s 45(1)(a) read together with s 14(1)(d).

[63] Thus, from the facts of this case, the learned JC had erred in his acceptance of 'contemporaneous evidence' in the form of the plaintiff's invoice dated 2 January 2002 and the plaintiff's registration of its trademark in 2 January 2002, when the material date as required by ss 45 and 14 of the TMA and supported by authorities like *Hummel*'s case is the date of the original registration of the defendant's trademarks which range from 2005–2009.

[64] There were no evidence of the plaintiff's goods in the Malaysian market at the material time viz during the period of the registration of the defendant's trademarks from 2005–2009. Thus there were no evidence of the use of the plaintiff's goods and the plaintiff's trademark in respect of the goods of the plaintiff on the market in order to determine whether such goods were identical to or closely resembles the trademarks of the defendant which would forbid the registration of the plaintiff's trademark in the said goods.

[65] It is noteworthy too that while the plaintiff had registered a similar 'SRAM' trademark in 2002, which precedes the defendant's registration abovementioned, the plaintiff had made no opposition to the defendant's registration of the first to the fourth of the defendant's trademarks abovementioned pursuant to s 28(1) of the TMA and reg 37(a) of the TMR. It was only on 30 December 2015, after a delay of more than eight years that the plaintiff initiated a s 45 application to expunge the defendant's five trademarks. The learned JC considered the issue of the non-opposition only in the context

of raising an estoppel to bar the plaintiff from commencing the OS and determined that the plaintiff was not estopped.

Cessation of use of trademark

[66] From the undisputed facts of this case, the date of the original registration of the defendant's trademarks and details of the defendant's respective trademarks registered are as stated above more than seven years from the plaintiff's OS to expunge the defendant's trademarks. Thus it appears that during the duration of more than eight years the plaintiff had ceased to use the trademark in Malaysia. In this respect, there was an admission by the plaintiff that from 2007–2015 the plaintiff had ceased using his trademark, in view of the defendant's opposition, which according to the learned JC's judgment was done 'in abundance of caution and for commercial reasons'.

[67] The learned JC had attempted to gloss over the cessation of the plaintiff's use of the plaintiff's trademark for more than seven years by finding that the plaintiff had in the interval retained a measure of 'residual goodwill' and had therefore not abandoned the plaintiff's trademark. The learned JC had referred to the case of *Ad Lib Club Ltd v Granville* [1971] 2 All ER 300 in support of his finding. However, *Ad Lib*'s case was decided on the specific facts of the case where the plaintiff company no longer carried out the business of the club for five years but on the evidence adduced continued to be regarded as still possessing goodwill as the plaintiff had taken measures to preserve the goodwill to its trading name. Pennycuik VC in his judgment had stated as follows:

> ... It seems to me clear on principle and on authority that where a trader ceases to carry on his business he may nonetheless retain for at any rate some period of time the goodwill attached to that business. It must be a question of fact and degree at what point in time a trader who has either temporarily or permanently closed down his business should be treated as no longer having goodwill in that business or in any name attached to it which he is entitled to have protected by law.

[68] Thus, on the authority of *Ad Lib*, it would appear that the issue of whether or not the plaintiff retains residual goodwill is to be determined on the facts and evidence before the court. In the instant case, the cessation of the plaintiff's use of the trademark is more than seven years. There is also no evidence before the court that the plaintiff had taken any steps to preserve its goodwill during the seven years stated.

[69] For all the reasons above stated, we are of the view that the learned JC had erred in law and in his findings that the plaintiff was the first user and common law proprietor of the trademarks and in addition thereto had satisfied the requirements of the relevant sections of TMA to justify expunging the

defendant's trademarks. In the premises we allow this appeal with costs subject to allocator and set aside the decision of the High Court.

Appeal allowed with costs.

Reported by Ashok Kumar